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FOR IMMEDIATE RELEASE

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THIRD ATTORNEY CHARGED IN CRIMINAL TAX FRAUD CASE

Superseding Indictment Alleges that Bernard Bagdis Recruited Wayne D. Bozeman To Join His \$24 Million Tax Obstruction and Tax Evasion Schemes

PHILADELPHIA – United States Attorney Pat Meehan today announced the filing of a Superseding Indictment¹ charging attorney Wayne D. Bozeman, along with Bernard J. Bagdis and ten other defendants, with concealing income totaling more than \$24 million, with \$4.9 million in taxes owed to the Internal Revenue Service. The original indictment was filed in this case on November 27, 2007 and charged Bagdis and ten other defendants with a total of 74 counts of criminal tax offenses. The superseding indictment contains 96 counts of criminal tax offenses in total, and describes numerous acts of tax fraud occurring since at least 1996 up through April 2008. The superseding indictment adds Bozeman as a defendant, charging him with 13 counts of tax fraud. The indictment also adds new tax-related charges against Bagdis and defendants Bertram R. Russell, a radiologist, and Richard J. Frase, an engineer.

“The superseding indictment alleges that Bernard J. Bagdis continued to scheme in order to hide significant income from the IRS, even while an indictment loomed overhead” said Meehan. “Bagdis assisted attorney Wayne Bozeman in the preparation of a false tax return filed in April 2008, while out on bail and under court supervision pending trial in this case.”

The superseding indictment charges that Wayne D. Bozeman, a businessperson and lawyer residing in West Chester, PA, conspired with Bagdis to defraud the United States, and that Bozeman committed 12 additional counts of tax-related offenses. Defendant Bozeman owned and operated Keystone Game Supply, Inc., which was in the business of purchasing and reselling components for amusement and gaming machines, and served as the president of that corporation. Defendants Bozeman and Bagdis allegedly agreed that Bozeman would not report his earnings from Keystone Game Supply to the IRS nor pay any federal taxes on that compensation. Bagdis helped Bozeman receive the unreported income in the form of checks deposited by Keystone Game Supply into a nominee bank account held in the name of another company, which Bozeman owned and controlled, called Advanced Game Concepts, Inc. That company ceased operations in 2000. The superseding indictment alleges that the checks deposited into the nominee bank account were deducted on the internal books, records, and on

¹ An indictment or information is an accusation. A defendant is presumed innocent unless and until proven guilty.

June 18, 2008

Page 2

the corporate income tax returns of Keystone Game Supply, as consulting fee expenses. Bozeman allegedly used the unreported compensation to pay his and his wife's personal expenses, including payments to: their investment fund, credit card bills, pool cleaning services, lawn care services, utility bills, and their home mortgage. According to the superseding indictment, Bozeman received over \$830,000 in taxable income that he did not report during the years 1999 through 2007. Bozeman filed false individual and/or corporate tax returns for those years that were prepared by or with the assistance of Bagdis. The result is an approximate tax due and owing of over \$157,000. The superseding indictment also alleges that the most recent false return involving Bagdis was Bozeman's 2007 individual income tax return which was filed in April 2008, after attorney Bagdis was initially indicted in this case.

The superseding indictment further alleges that Bozeman and Bagdis made false statements to IRS special agents who were investigating the tax fraud offenses alleged here, attempting to conceal the true nature of the checks deposited by Keystone Game Supply into the nominee bank account used by Bozeman.

Bernard J. Bagdis is additionally charged in the superseding indictment with five counts of aiding and assisting Bozeman in the preparation of false individual income tax returns, thereby bringing the current total of charges alleged against Bagdis to 41 counts.

Dr. Bertram R. Russell, a radiologist, was charged in the initial indictment with conspiring with Bagdis and with 14 counts of tax-related offenses. The superseding indictment charges Russell with an additional count of attempting to evade his individual income taxes for the year 2006 through the use of a shell corporation and corporate bank accounts set up to receive his compensation and pay for personal expenditures, thereby bringing the current total of charges alleged against Russell to 16 counts. Between 1998 and 2006, Russell allegedly earned almost \$3 million from his work as a radiologist, yet, he reported none of this income to the IRS and paid no federal taxes on it. The indictment alleges that the criminal tax offenses in which Russell and Bagdis engaged resulted in a total tax loss to the IRS of more than \$1,000,000.

Richard J. Frase, an engineer, was charged in the original indictment with conspiring with Bagdis and with 9 additional counts of tax-related offenses relating to the creation of a shell corporation to receive the income earned by Frase from the Chrysler Corporation, thereby evading the assessment and payment of his taxes. The superseding indictment has added allegations that Frase also attempted to evade his individual income taxes for the years 2004 through 2006, thereby bringing the current total of charges alleged against Frase to 13 counts. The superseding indictment also has added allegations that the tax fraud conspiracy between Frase and Bagdis extended until October 2007, when Frase filed allegedly false individual tax returns for the years 2001 through 2006, and allegedly false corporate returns for the years 1998 through 2006. Frase allegedly had his salary paid to him through the Personnel Department, Inc., a company controlled by Bagdis, which then paid Frase a nominal amount of income per year. The remainder of Frase's income allegedly went into bank accounts controlled by Bagdis in the

June 18, 2008

Page 3

name of the Administar Corporation, and ultimately to a bank account held by Frase's shell corporation. During the years 1998 through 2006, Frase allegedly received approximately \$1,388,314 in income, resulting in a tax due and owing of approximately \$426,000.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE
Bernard J. Bagdis	Norristown, PA	58
Wayne D. Bozeman	West Chester, PA	60
Bertram R. Russell	Gladwyne, PA	57
Richard J. Frase	Schoharie, NY and Rochester Hills, MI	62
John P. Leichner	Newtown, PA	64
Kenneth W. Klinger	Perkiomenville, PA	58
Stephen Schulz	Richboro, PA	43
Michael S. Klein	Warrington, PA	37
Kathleen Williams	Pottstown, PA	47
Steven Hedrick	Dover, DE	48
William K. Acosta	Gilbertsville, PA	53
Helen M. Gramaski	Ardmore, PA	69

INFORMATION REGARDING THE CHARGES

NAME	CHARGES
Bernard J. Bagdis	Attempting to impede the administration of the tax code (1 count); Conspiracy to defraud the United States (8 counts); Assisting the preparation of a false tax return (21 counts); Failing to file individual income tax returns (3 counts); Failing to file IRS Forms 1096 (3 counts); Failing to file currency transaction reports (5 counts)
Wayne D. Bozeman	Conspiracy to defraud the United States (1 count); Income tax evasion (6 counts); Subscribing to a false income tax return (6 counts)
Bertram R. Russell	Conspiracy to defraud the United States (1 count); Income tax evasion (7 counts); Subscribing to a false income tax return (2 counts); Failing to file an income tax return (6 counts)
Richard J. Frase	Conspiracy to defraud the United States (1 count), Income tax evasion (9 counts); Subscribing to a false income tax return (3 counts)
John P. Leichner	Conspiracy to defraud the United States (1 count); Income tax evasion (3 counts); Failing to file an income tax return (5 counts)
Kenneth Klinger	Conspiracy to defraud the United States (1 count); Income tax evasion (1 count)
Steven Schulz	Conspiracy to defraud the United States (1 count); Income tax evasion (1 count)
Michael S. Klein	Conspiracy to defraud the United States (1 count); Income tax evasion (1 count)
Kathleen Williams	Subscribing to a false income tax return (1 count)
Steven Hedrick	Income tax evasion (1 count)

June 18, 2008

Page 5

William Acosta	Conspiracy to defraud the United States (1 count); Income tax evasion (1 count)
Helen M. Gramaski	Failing to file an income tax return (2 counts)

Since the return of the original indictment in November 2007, the following seven defendants have pleaded guilty to the charges against them in the indictment: Kenneth W. Klinger, Stephen Schulz, Michael S. Klein, Kathleen Williams, Steven Hedrick, William K. Acosta, and Helen M. Gramaski. The superseding indictment includes the charges to which these seven defendants already have pleaded guilty. The case is listed as criminal case no. 07-730 and is assigned to the Honorable J. Curtis Joyner. Trial for the remaining defendants is scheduled to commence on March 30, 2009.

If convicted of all charges, Wayne Bozeman faces a maximum sentence of 53 years in prison, a fine of up to \$3.25 million, and up to three years of supervised release; Bagdis faces a maximum sentence of 137 years in prison, a fine of up to \$9.45 million, and up to three years of supervised release; Frase faces a maximum sentence of 59 years in prison, a fine of up to \$3.25 million, and up to three years supervised release; and Russell faces a maximum sentence of 52 years in prison, a fine of up to \$3.1 million, and up to three years of supervised release.

The case was investigated by the Internal Revenue Service-Criminal Investigation Division, the Federal Bureau of Investigation, and the United States Postal Inspection Service. The case has been assigned to Assistant United States Attorneys John J. Pease, Peter D. Hardy, David J. Ignall, and Stephen A. Miller, and Trial Attorney Sean O'Connell of the U.S. Department of Justice's Tax Division.

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